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ABSTRACT

This lesson on planning a marketing strategy, the sixth in a series of 18 units, is part of the first level of a comprehensive entrepreneurship curriculum entitled: A Program for Acquiring Competence in Entrepreneurship (PACE). (Designed for use with secondary students, the first level of PACE introduces students to the concepts involved in entrepreneurship and helps them become aware of entrepreneurship as a career option.) The following topics are covered in the unit: economic factors that influence marketing decisions, important market activities, how marketing aids business people and consumers, the meaning of the terms "target market" and "marketing mix," and the steps to be completed in developing a marketing plan. Included in the lesson are instructional text organized in a question-and-answer format, individual and group learning activities, and assessment questions. (MN)

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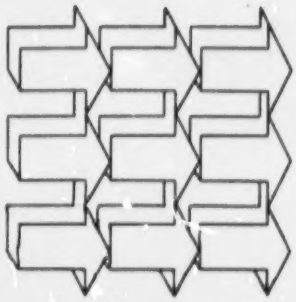

UNIT 6

- [x] Level 1
- [ ] Level 2
- [ ] Level 3

Planning the Marketing Strategy

Developed by M. Catherine Ashmore and Sandra G. Fritz

You will be able to:

- **Discuss the economic concepts that influence marketing decisions.**
- **Identify important marketing activities.**
- **Explain how marketing aids business people and consumers.**
- **Define the terms "target market" and "marketing mix."**
- **Summarize the steps to be completed in developing a marketing plan.**

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Research & Development Series No. 240 AB 6

BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide.*

communication
exchange
financing
free market system
marketing
marketing function
marketing mix
marketing orientation
marketing plan
product development
storing
target market
transporting

PLANNING THE MARKETING STRATEGY

WHAT IS THIS UNIT ABOUT?

Even the simplest form of business is involved in marketing. Whenever a product is sold or a service is provided, *marketing decisions* must be made.

Businesses make marketing decisions by completing many steps that bring producers and consumers together. Consider the following example:

This morning Jane was awakened by an alarm clock made in Japan. The manufacturer used parts from Switzerland to put together the clock works. The plastic casing was molded in the United States. Jane purchased the clock a year ago when a special rebate offer reduced the price.

Jane breakfasted on orange juice, milk, and cereal. The juice was made from concentrate prepared in Indiana but using Florida oranges. It was shipped by rail to a packaging plant in Illinois and transferred to a wholesaler in Jane's area. Then it was distributed by truck to the supermarket where Jane purchased it.

The cereal was made from wheat grown in Kansas. It was processed in Michigan and then transported to the same supermarket. Television advertising had made Jane familiar with the brand of cereal and juice she bought.

Jane's milk came from a farm ten miles from her home. However, it was first delivered to a dairy 300 miles away, where it was processed and packaged.

Jane stored her orange juice and milk in a refrigerator made mostly of metals. The metals were mined in Venezuela, smelted with coal and coke from Pennsylvania, and then shipped to the stamping plant of the manufacturer in Iowa. The manufacturer assembled the unit with motors from Ohio; paint from New York; light bulbs from Massachusetts; and aluminum, rubber, copper, plastics, and other materials from sources around the world. The refrigerator's manufacturer had to make sales arrangements with a local appliance store to sell that brand. The store's salespeople sold one of the refrigerators to Jane. She came in to the store because of a newspaper advertisement she read.

Many marketing decisions made in different parts of the world affected Jane's morning.

HOW CAN MARKETING BE DEFINED?

Simply defined, *marketing* includes all of the activities involved in the exchange of goods and services between producers and consumers. Marketing activities must be done in such a way that everyone who participates in the exchange process is satisfied. For example, if Jane didn't like the flavor of the orange juice, she would not buy it again. If the appliance business had to spend a lot of money repairing the refrigerators it sold, it may decide to sell a different brand in the future. A business must be able to market its products so that it can make a profit and also satisfy its customers.

WHAT ARE THE FUNCTIONS OF MARKETING?

All marketing activities can be grouped within eight functions. Those functions include *product development, exchanging, transporting, storing, financing, pricing, communication,* and *information analysis.* To market your products, you will have to complete each of these functions. If your company does not want to handle some of the functions, you may need to find other businesses to handle them.

Marketing functions are not always handled well. Consumer groups, government agencies, and business associations have criticized some marketing activities. You can probably think of advertisements, salespeople, packages, labels, or prices that upset you. You may have found a company that would not fix the appliances it sold. After purchasing a product, you may have been sorry that more information about the product was not available before you made the decision.

As a business person you do not want to have those types of problems. You need to understand each of the marketing functions and their importance to the success of your business.

HOW IS MARKETING INVOLVED IN THE DESIGN AND CREATION OF A PRODUCT?

The *design* and *creation* of a product is usually considered to be a manufacturing function. However, marketing can be involved even at this stage. The people responsible for sales, transportation, and product storage often can be very helpful in product development. Salespeople may be able to suggest what customers like or don't like. People in transportation can test new products to see if they can be handled without damage.

WHAT ROLE DOES MARKETING PLAY IN PACKAGING AND BRANDING?

Another important role that marketing can play in product development is in packaging and branding. *Packaging* is developed to protect the product until it can be used. However, packaging is also used for promotion. It can attract a customer's attention to the product and provide information that will help customers make good decisions. *Branding* is how customers can tell your product from your competitors' products. Putting your brand name on your product makes it easier for customers to find your product.

The brand can also be used to present a specific image of the product to customers. Think of the image created by a name like Jiffy Clean oven cleaner or Starshine shampoo. Marketers who carefully study customers and their needs can suggest the type of packaging and brand names to use for new products.

HOW DOES MARKETING SATISFY THE BUYER AND SELLER?

The marketing function of "exchanging" includes two main marketing activities—selling and buying. These complete the exchange of the product between the seller and the buyer. Salespeople need to present products or services to the customers in such a way that the customers will want to buy. Effective selling considers customer needs and whether the customers will be satisfied with the purchase.

The responsibility of customers in the exchange process is to make the best buying decisions possible. Therefore, customers should think about their needs and how products or services will be used. They may want to look at several possible products and brands before making a final decision.

WHAT ROLE DOES TRANSPORTATION PLAY IN MARKETING?

Many years ago, transportation was the most important marketing function for some businesses. At that time, the interstate road system and airline service were not available. Companies had trouble getting products to customers located far from their businesses. As transportation improved, companies began to pay less attention to that part of marketing.

Today, transportation decisions are again very important. This has happened because of the high costs of fuel, equipment, and labor. Transportation includes all of the product handling and product movement activities that occur between the time a product is manufactured to when it is sold.

WHAT ROLE DOES STORAGE PLAY IN MARKETING?

Most products are not used right after they are produced. Companies that make toys sell most of them during the Christmas season. In order to have enough toys available, the company will make the toys all year long. That means that toys will need to be stored for a long time before they are sold.

Some storage occurs for almost all products. You must make sure that space is available for your products, and that they are handled and kept in such a way that they are not damaged.

WHY IS FINANCE AN IMPORTANT FUNCTION OF MARKETING?

Money is needed to pay for materials used to produce products. There will also be expenses for buildings, equipment, and employee salaries. There are many expenses in completing all of the marketing activities.

Someone must be willing to invest money to pay these costs. The investment of money in business activities is known as financing. If the product is developed and marketed well, the people who invested money should receive a profit. However, many products are not successful and people lose money rather than make a profit. Financing of marketing activities is a very important marketing function.

HOW IS A FAIR PRICE DETERMINED?

If a product or service is going to be purchased and used, producers and consumers must agree upon a price. The price must be fair to consumers so they get a good value for the money they are spending. A business must get at least enough money from the sale of products to cover all of its costs, but it should also make a profit when the products are sold.

Usually, customers will compare the price of your product with other products they might buy. They may also be interested in using credit cards or making installment payments for expensive items. You must set the best price and know how your customers will pay you before your products are sold.

WHAT ROLE DOES COMMUNICATION PLAY IN MARKETING?

Every day people come into contact with thousands of products and services. This contact results from shopping, from seeing and hearing advertisements, and many other daily activities. Of all of the products people see, they will buy only a very few. Businesses must be able to communicate with people to turn them into customers.

Communication is the exchange of information between a buyer and seller. Communication activities include the use of selling and advertising, displays, letters, and brochures. There are many other ways to inform customers about your products and the benefits they will receive from purchasing your products.

WHY IS INFORMATION ANALYSIS IMPORTANT?

Marketing activities will not be as effective if businesses only send information to consumers. Consumers provide useful information to businesses as well. Several marketing activities are used to gather information from consumers. This information is used to develop new products and improve current ones. It is also used to help in setting prices, designing sales and advertising messages, and improving other business decisions.

WHAT ARE THE BENEFITS OF MARKETING FUNCTIONS?

One of the benefits of marketing activities is that marketing gives customers a greater choice of products and more information about each product. As a result, customers should be able to make better decisions and be more satisfied with their purchases. Customers are becoming more careful shoppers these days, and businesses have to make better marketing decisions to be successful.

Marketing can be very expensive. For many companies, the cost of completing all the marketing activities is more than 50 percent of the total cost of the product. A business that very carefully plans and controls its marketing activities should be able to lower its costs. That can mean a lower price on the product for the customers, and better sales. Those better sales then mean more profit for the company.

WHAT IS A "FREE" MARKETING SYSTEM?

The American economy can be described as a "free" market system. That means that, within certain limits, businesses are allowed to sell any products or services that they choose. Consumers can also use their money to buy anything they would like to own.

In most situations, businesses are free to charge whatever they choose for the products or services they are selling. Consumers, on the other hand, can shop among several businesses until they find the best price for the things they want to buy.

This "free" market is quite efficient, but businesses don't always make the right choices. Businesses sometimes decide to make products, but then the consumers don't want to buy them. Companies may want to charge a higher price than most consumers are willing to pay. Those businesses will not be successful unless they change the products they are selling or lower the prices they are charging.

From the consumers' point of view, they might want to buy products that businesses are not currently producing. Also, they may not want to pay the prices the businesses are charging for products. Consumers may not be able to satisfy some of their needs unless they can convince businesses to produce what the customers want or to reduce their prices.

HOW DOES A "FREE" MARKET SYSTEM WORK?

The relationship between businesses and consumers in a "free" market system is based on supply and demand. If customers want to buy more of a product than can be supplied by businesses, there is high demand, and the price will usually increase. On the other hand, if more products are available than consumers want to purchase, the supply is high, and the price will usually go down. The market will work best when businesses provide just as many products as customers want to buy at the right price. Prices for those products should be high enough for businesses to pay for the costs of producing and marketing the product and to make a reasonable profit.

Based on this simple description of supply and demand, it should be clear that businesses will be most successful if they have what consumers want to buy. In this way, businesses will not waste money on products and services that have no chance of being sold. Also, customers are more willing to pay a reasonable price for a product if they know it is something they want and can use. This approach to business planning, which is concerned about customers needs and profit, is known as the *marketing orientation.*

WHAT MARKETING QUESTIONS MUST A BUSINESS PERSON ANSWER?

Every business person must answer the following basic questions before he or she begins to operate a business. Those questions are:

1. What products and services are we going to provide?
2. To whom will we sell our products?
3. Where will we sell our products?
4. What marketing activities will we complete?

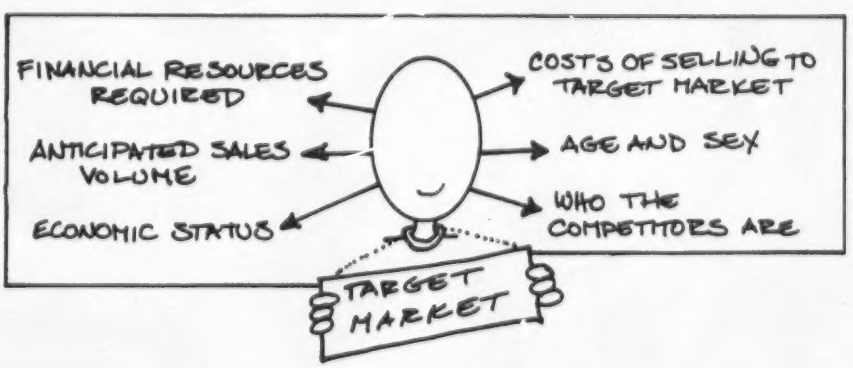
Many other questions must be answered as well, but the four questions listed above may be the most important. Questions 1 and 4 determine the type of business. Questions 2 and 3 identify the market the business would like to serve.

WHAT IS EFFECTIVE MARKET PLANNING BASED UPON?

Effective marketing planning is based on a two-step process that answers the basic business questions. The first step is to identify a *target market.* The target market is a group of potential customers with similar needs that can be satisfied by the company. The second step is to develop a *marketing mix.* A marketing mix is the combination of a product, its price, and the methods of distributing and promoting it that the business will provide for customers.

HOW CAN A TARGET MARKET BE IDENTIFIED?

Identifying target markets of people who will buy your products and services requires careful study. It is often difficult to find out what customers need, who they are, where they live, and how much they are willing to spend for specific products. Marketing research and good communications with consumers can help to identify target markets.



HOW CAN A MARKETING MIX BE DEVELOPED?

Many decisions have to be made when developing a marketing mix. You must decide on the quality of products to be sold, the features of those products, and the services and guarantees to be provided. You must set a price, but you must also decide whether to extend credit, to give discounts, or to accept trade-ins. Manufacturers must decide how the product will be delivered to customers and who will sell it. Retailers must decide whether to locate their stores downtown, in a shopping center, or elsewhere. They need to decide whether salespeople should be used or whether products should be sold through catalogs or vending machines. They must decide whether television, radio, or newspapers are the best way to advertise.

These are just some of the possible marketing mix decisions. The more you know about your customers, the easier it will be to make those decisions. Your marketing mix will determine whether your business can provide something that is different from competitors' products, more satisfying to customers, and more profitable to your company.

HOW CAN A MARKETING PLAN BE DEVELOPED?

Because there are so many marketing activities to be completed, they must be planned and coordinated with each other. A *marketing plan* is a business tool that helps you to plan and coordinate your marketing activities. In the marketing plan, you decide what important marketing activities should be done during a specific period of time (usually six to eighteen months). You then put these activities down in writing. You also decide what standards of performance to set for each activity, so you can evaluate them later. Within the plan, you must decide what people will be responsible for each activity. You will also decide on time lines, so each activity will be accomplished at the right time.

It is easy to see why very big firms need written marketing plans. When hundreds of people are involved in marketing, the plan is needed to tell them what must be done and when. Marketing plans can help small businesses, too. It is difficult to be sure that everything in a business is done at the right time unless there is a written plan to follow. Without a plan, the way your company markets your products may change and no one will realize it. Also, it will be hard for you to tell what your business does well and where its weaknesses are without specific plans.

WHY WILL A BUYER'S MARKET CONTINUE?

Unless the economy changes suddenly, you can probably expect that a buyer's market will continue for most or all businesses. A buyer's market occurs when buyers, through their demand for a product, determine its price. The supply and demand for most products is such that a buyer's market does exist now. There are some exceptions, especially where products and services depend a lot on natural resources.

Competition will probably increase. Businesses now identify their competition in a different way. Firms with quite different products are now competing for the same consumers. Companies that have products and services that are quite similar, have a difficult time convincing customers that their brand is better than all others. Every business must show customers that it has something special—something competitors don't have. A company's "something special" may be a lower price, a better location, or an extra service. Customers will look for the things that give them better value for the money they are spending. You can expect that future buyers will be more knowledgeable and more demanding. In a constantly changing world, you can also expect that consumers' needs will change. Businesses that do not try to keep up with consumer desires will face almost certain failure.

Having a successful business today will not guarantee that your company will be successful tomorrow. But, if you are a small business owner who understands customers and develops a good marketing program you can be optimistic about your future. To do so, though, your marketing must keep adapting to change.

ACTIVITIES

Do you feel knowledgeable enough about what it takes to become an entrepreneur? Will you be able to put some of the skills into practice? The following activities will help you experience some of the real-life situations of entrepreneurs.

INDIVIDUAL ACTIVITY

Select any product that you use regularly. Using interviews and library resources, attempt to trace the path of the product from producer to consumer. If you can, identify every business involved, the location of that business, and the activities of the business. Write a report on the information, or give a talk about it to the class.

INDIVIDUAL ACTIVITY

Interview five people to find out what they think the term "marketing" means. Compare their definitions with the one in this unit. If you find differences in their opinions, try to explain why people have different ideas about marketing.

GROUP ACTIVITY

Complete this activity with three to seven other students. List the eight functions of marketing. Then go through the yellow pages of a telephone book and list companies that are responsible for completing each of the marketing functions. After your lists are prepared, discuss the following questions:

1. Which functions seem to be provided by the greatest number of companies?
2. Which functions seem to be performed by the fewest companies?
3. What reasons might explain the differences between the answers to questions 1 and 2?
4. Does it seem that most companies specialize in one function or provide several functions? Why?
5. If you were operating a business, how would you select another company to complete the transportation function for you?

GROUP ACTIVITY

Form two teams and debate this issue: "Marketing costs too much when compared to the value customers receive from marketing activities."

GROUP ACTIVITY

Pretend that your group is going to sell t-shirts as a fund-raising project.

1. Identify a target market for the t-shirts.
2. Describe the marketing mix you would use (product, place, price, promotion).
3. List each of the marketing functions and describe how each would be completed.

INDIVIDUAL ACTIVITY

When you have finished your plans, compare them to those of several other groups in your class. As a class, discuss the strengths and weaknesses of each group's plans.

INDIVIDUAL ACTIVITY

Using the case study at the beginning of the unit, list all of the marketing activities that were described as influencing Jane's morning. Then classify each of the activities under one of the marketing functions.

An appliance manufacturer is described in the case study at the beginning of the unit. Develop a set of sample answers that the manufacturer might give to the four basic questions:

1. What products and services are we going to provide?
2. To whom will we sell our products?
3. Where will we sell our products?
4. What marketing activities will we complete?

ASSESSMENT

Directions: Read the following assessment questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. Explain why businesses should be concerned with customer satisfaction.

2. Explain what marketing is.

3. List the eight major functions of marketing.

4. Describe the responsibility of consumers when they buy products or services from a business.

5. Discuss the effect of the "free" market system on decisions made by businesses and decisions made by consumers.

SOURCES USED TO DEVELOP THIS UNIT

Ely, Vivien King, and Barnes, Michael T. *Starting Your Own Marketing Business.* 2nd ed. New York: McGraw-Hill Book Company, 1978.

Rutt, Roger W. *Creating a New Enterprise.* Cincinnati: South-Western Publishing Company, 1982.

Kurloff, Arthur H., and Hemphill, John M. *How to Start Your Own Business . . . and Succeed.* rev. ed., New York: McGraw-Hill Book Company, 1981.

Mason, Ralph E.; Rath, Patricia Mink; Ross, Herbert L. *Marketing and Distribution.* 2nd ed. New York: McGraw-Hill Book Company, 1974.

For further information, consult the lists of additional sources in the *Resource Guide.*

PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4 Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

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